

Public Service Commission of Wisconsin
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**Application of Wisconsin Energy Corporation for Approval to Acquire the
Outstanding Common Stock of Integrys Energy Group, Inc.
PSCW Docket No. 9400-YO-100**

**WEC's Response to
Staff's First Data Request
Dated: September 5, 2014**

Public Service Commission of Wisconsin
RECEIVED: 09/26/14, 5:34:22 PM

REQUEST NO. PSCW-01.05:

What is the basis for Mr. Reed's opinion that over time the Transaction is likely to generate net savings in the range of three to five percent of non-fuel O&M of the combined company? Please be specific as to what documentation was reviewed that lead to this conclusion, including the period of time looked at, the length of time, the years in which the analysis took place, the number of operating utilities and the jurisdictions. Please provide all analysis and other documents supporting the opinion.

RESPONSE:

As explained on Pages 34 and 35 of Mr. Reed's Direct Testimony, while neither the Companies nor Mr. Reed has conducted a detailed analysis of the potential merger synergy savings specific to the merger of WEC and Integrys, Mr. Reed has examined the synergy savings attributable to many other mergers. Mr. Reed's view on the savings that might be realized from the Transaction is based on this examination as well as his knowledge of the Companies, their past merger integration activities, and merger synergy savings generally. Based on this analysis, Mr. Reed has concluded that the Transaction is likely to generate net savings in the range of three to five percent of non-fuel O&M of the combined company after a five to ten year ramp-up period relative to what non-fuel O&M costs for the Companies would have been absent the transaction.

Chart 3 on page 36 of Mr. Reed's Direct Testimony summarizes the results of his analysis of the non-fuel O&M savings that were, or were expected to be, achieved in other recent mergers. The mergers shown in Chart 3 were not expected to typically generate net O&M savings immediately after the merger closed, and those savings were expected to increase to a steady state level over a period of years.

All analysis and supporting documentation leading to the development of Chart 3 is attached.

Answered by: John J. Reed

KEEGAN WERLIN LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3113

(617) 951-1400

TELECOPIERS:
(617) 951-1354
(617) 951-0586

January 27, 2011

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

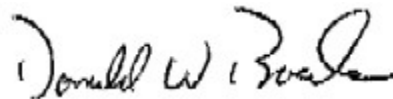
Re: NSTAR/ Northeast Utilities Merger, D.P.U. 10-170

Dear Secretary Marini,

Enclosed for filing on behalf of Joint Petitioners in the above-captioned proceeding please find additional responses listed on the following page to the 1st Set of Information Requests issued by the Attorney General. Also enclosed are responses to the Department's First Set, items DPU 1-19 and 1-40.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Donald W. Boecke". The signature is fluid and cursive, with the first name "Donald" and last name "Boecke" clearly distinguishable.

Donald W. Boecke

cc: Laurie Ellen Weisman, Esq., Hearing Officer
Service List

INFORMATION REQUEST RESPONSES ATTACHED

AG Set 1

AG 1-5
AG 1-22
AG 1-23
AG 1-24
AG 1-39
AG 1-40
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AG 1-52
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DPU Set 1

DPU 1-19
DPU 1-40

NSTAR/Northeast Utilities
Docket No. D.P.U. 10-170

Information Request DPU-01
Dated: 01/04/2011
Q-DPU1-019
Page 1 of 1

Witness: David R. McHale, James J. Judge
Request from: Department of Public Utilities

Question:

Refer to Joint Petition prefiled testimony at 17-18. Please discuss in full and complete detail the net savings or synergies that the Companies anticipate Massachusetts ratepayers will realize as a result of the proposed merger. Provide the sources of and total synergies that the Companies expect to gain in Massachusetts.

Response:

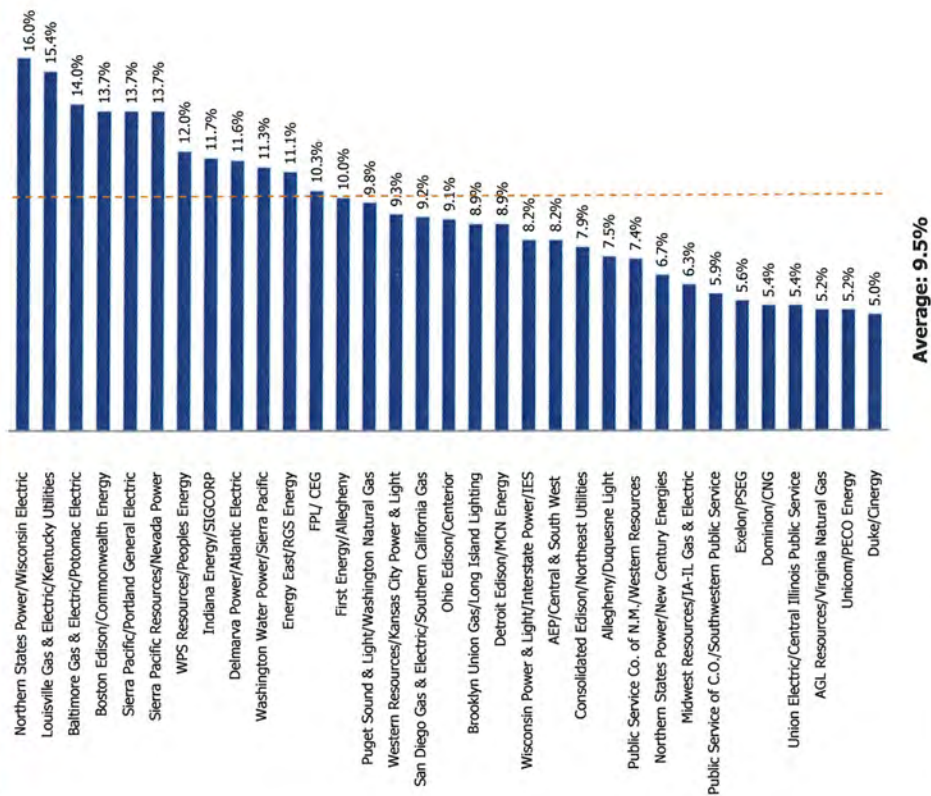
Northeast Utilities and NSTAR have not conducted (or contracted to conduct) any synergy studies relating to the proposed merger. Synergy studies are most typically conducted in advance of mergers that involve the payment of an acquisition premium. In those cases, the synergy study is needed to assess and justify the payment of the premium (by serving as the tool to indicate whether the premium could be offset by operational synergies achieved in the future).

In this case, the proposed merger is structured with no acquisition premium paid by either party to the other, and is justified based on factors other than just synergy savings. As a result, it was not necessary to perform a synergy study in advance of the transaction. It is anticipated that as the operations of NU and NSTAR are integrated and best practices are identified and implemented, any resulting net savings will be passed on to customers in future rate proceedings of the Massachusetts operating companies. This process will take some time to ramp up and complete and because the costs of the merger are incurred up front, savings in the near term are not expected to exceed the costs incurred in the near term to accomplish the merger. However, the expectation is that, over time, net savings will result from the merger.

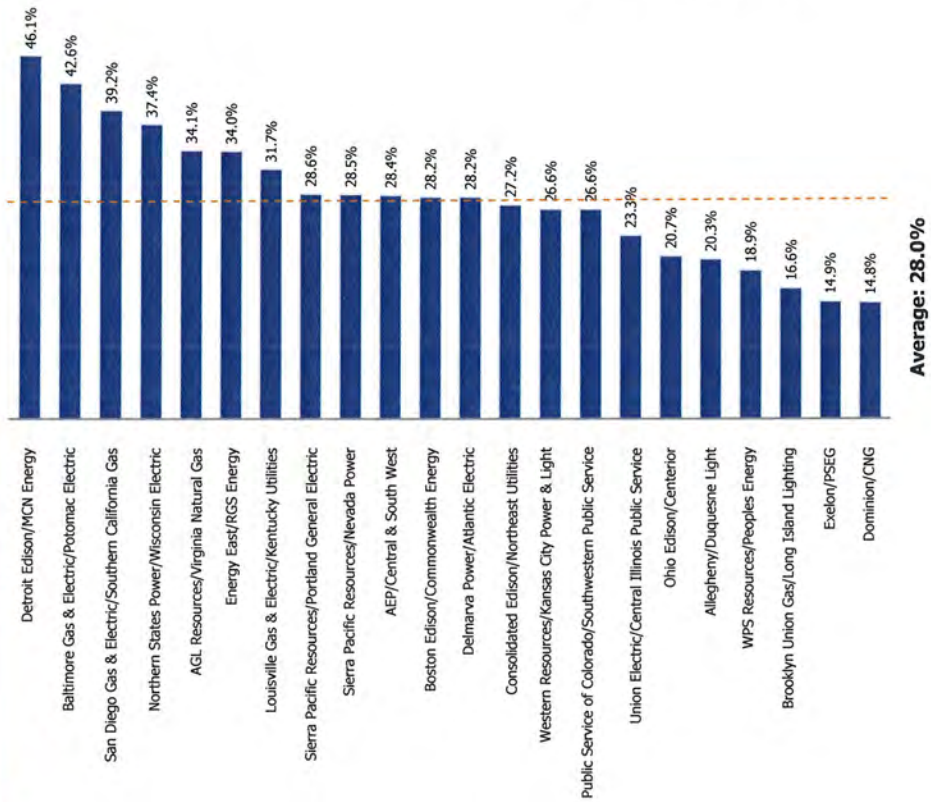
The Joint Petitioners' expectation that the merger will result in net savings over a period of time is supported by the high level data provided in Attachment DPU 1-19 which shows a range of expected synergy savings based on other announced business consolidations. The range of savings is based on a review performed by an outside consultant and it does not differentiate between the types of companies that were consolidated, the presence or absence of an acquisition premium, the type of transaction structure, and so forth. In addition, the expected annual savings are based on a steady state at some point in the future after the costs to achieve have been incurred, the operations and processes have been integrated, etc. As a result, it is inappropriate to use Attachment DPU 1-19 as a proxy for a NU and NSTAR synergy study or to use it as an estimate of achievable net savings in the short term.

Illustrative Synergy Precedents (1)

Announced Synergies as % of Combined Non-Fuel O&M



Announced Synergies as % of Target Non-Fuel O&M



1. Source: Booz & Co. and company disclosures.

